

Morand Subcommittee Reviews Crop Insurance Industry

Hearing Addresses Industry Financial Situation and Implementation of the Agriculture Risk Protection Act

WASHINGTON, D.C. - Congressman Jerry Moran, Chairman of the House Agriculture Subcommittee on General Farm Commodities and Risk Management, today chaired a hearing on the crop insurance program and the implementation of the Agriculture Risk Protection Act. The witnesses also covered the financial condition of both crop insurance and the reinsurance companies.

"After multiple years of drought in Kansas, crop insurance plays an increasingly important role for many farmers and ranchers," Chairman Moran said. "The stability of the crop insurance industry is important for producers to have access to this risk management tool. Today's hearing looked at how the program is operating and how we can make it work better for Kansas farmers and ranchers in the future."

The subcommittee heard from four different witnesses who discussed the various aspects of crop insurance. Appearing were the Administrator of the U.S. Department of Agriculture (USDA) Risk Management Agency (RMA), Ross J. Davidson; the Chief Economist with USDA, Dr. Keith Collins; the Chairman of the American Association of Crop Insurers, Ronald Brichler; and the Vice Chairman of Collins Associates, Inc. in Minneapolis, Minnesota, Jim Brost.

The Agriculture Risk Protection Act of 2000 (PL 106-224) reauthorized crop insurance programs through FY 2005. The bill worked to reform and improve the program, while reducing the participation cost for producers.

In 2002, the Federal Crop Insurance Program had insurance products for over 100 commodities covering both crop and livestock production. More than 215 million acres were covered, with an insured value of over \$37 billion.

The past few years have been difficult for the insurance industry as a whole. The events of September 11 are estimated to have cost nearly \$70 billion. Prior to this event, the largest loss in the insurance industry was Hurricane Andrew at \$20 billion. Specific to the crop insurance industry, over \$4 billion of indemnities were paid to producers, nationwide, who suffered crop losses in 2002. Losses from the drought last year surpassed \$1.4 billion in Kansas, alone.

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